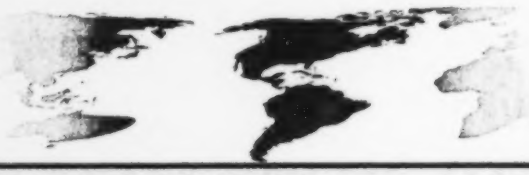
SGGF VII

Saskatchewan Government Growth Fund VII Ltd.



2005 Annual Report

Creating economic wealth and
diversification through investment of immigrant
investor capital in Saskatchewan

SASKATCHEWAN GOVERNMENT
GROWTH FUND

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FUND PROFILE

Saskatchewan Government Growth Fund VII Ltd. ("SGGF VII" or the "Fund") is a government-administered venture capital fund pursuant to the Immigration Regulations, 1978 (Canada), as amended. It was formed to enable immigrant investors to invest in businesses operating in Saskatchewan and facilitate the investors' qualification as Canadian permanent residents under the Immigrant Investor Program.

FINANCIAL HIGHLIGHTS

- The Fund incurred a loss of $966,000 in 2005 and has an accumulated deficit at December 31, 2005 of $2.6 million.
- Net revenue for the year, including recognition of the fair value of the Fund's investments, was $242,000.
- The initial principal repayment at maturity of Notes has been set at $185,000.

MESSAGE TO INVESTORS

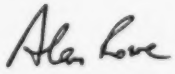
The priority of Saskatchewan Government Growth Fund VII Ltd. in 2005 was to support investees in the development of their businesses and to examine opportunities to improve returns.

The Fund incurred a loss of $966,000 in 2005, partially as a result of the effect on the fair value of investments in portfolio investments and infrastructure loans of an increase in interest rates, and partially because the low interest rate environment has resulted in interest income not being sufficient to cover interest payments on the Notes and the operating costs of the Funds.

The accumulated deficit of the Fund is $2.6 million at December 31, 2005. The ability of the Fund to repay investors the full principal amount of their Notes will be dependent on the growth in fair value of investments in small and medium-sized enterprises prior to the maturity of investor Notes.

Payments to Noteholders at maturity of the Notes are established periodically based on forecasts of cash expected to be available from disposal of investments and scheduled maturities of Notes. This ensures that all Noteholders are treated equally. In April 2006, the first Notes will reach their maturity date. The Board has reviewed the cash flows of the Fund, and set the amount payable at the maturity of the Notes at $185,000. The shortfall from the principal amount of the Notes reflects timing differences between the maturity of investments and the maturity of the Notes. As a result of investment losses, it is unlikely that the Fund will be able to repay the full principal amount of Note obligations to investors. If the assumptions underlying current forecasts of cash flows from investments prove to be correct, payment of some principal amounts in addition to the initial payment at maturity may be possible in 2008. The cash flow forecast will be reviewed quarterly, and if cash available exceeds current expectations, additional payments will be made to investors.

During 2006, the priority of SGGF VII will be to actively manage its remaining investments with a view to achieving the best liquidation proceeds available in the prevailing circumstances to fund repayments of amounts due on Notes.



Roland Hardy
Chair

Alan M. Rowe
President

February 22, 2006

INVESTMENT PROFILES

The following are profiles of investments held by SGGF VII during 2005, including the principal amount invested at December 31, 2005, and a description of the companies' operations. The date of the initial investment in each company is noted in parentheses.

Bioriginal Food and Science Corp. (September 2005)

$1,000,000 loan

Bioriginal produces and markets natural oils and plant products throughout North America and the world and is the world's leading supplier of essential fatty acids. The Company's head office is in Saskatoon and it has operations in North America, Europe and China.

CrownAg International Inc. (November 2001)

CrownAg International developed proprietary colour sorting technology for pulse crops. The company operated a processing plant in Regina. The company incurred operational and financial difficulties in 2003 and 2004 and in 2005 discontinued operations and a receiver was appointed. Its assets were liquidated and the Fund expects no further recovery on its investment.

Harman Poultry Farm Ltd. (September 2002)

$172,545 loan

Harman Poultry is the largest producer of eggs in Saskatchewan. The company has operations near Regina and Prince Albert, Saskatchewan, and in Steinbach, Manitoba.

Mid-Sask Terminal Ltd. (May 2003)

$505,486 loan

Mid-Sask Terminal Ltd. operates a high-throughput inland grain terminal in Watrous, Saskatchewan.

Nu-Fab Burton Limited Partnership (June 2001)

$258,708 loan; $365,179 partnership units

Nu-Fab Burton Limited Partnership was formed in 2002 through the merger of Burton Cabinets (in which the Fund previously had an investment) and Nu-Fab Building Products. In 2005, the company disposed of the operations of Burton Cabinets which was a Saskatoon-based custom cabinet and millwork manufacturer. Nu-Fab Building Products is a supplier of building products and pre-fabricated residential housing with operations in Regina and Saskatoon. The company restructured its balance sheet in 2004 and the Fund converted a portion of its investment in loans to an investment in partnership units.

R. Young Seeds Inc. (February 2003)

$197,161 loan

R. Young Seeds operates a high throughput pulse/grain crop processing and colour sorting operation. The company is located near Mortlach, Saskatchewan.

Saskcan Pulse Trading Inc. (May 2002)
$119,741 loans; $211,950 common shares

Saskcan is a Regina-based company which operates North America's largest lentil splitting facility as well as two other pulse crop processing facilities in Saskatchewan.

Tri-North Farms Limited Partnership (October 2001)
$61,107 loans

Tri-North Farms is a limited partnership established to build and operate a 1,300 sow, two-site hog multiplier facility. The company is located near Medstead, Saskatchewan.

CAJON Leasing (December 2001)
$3,514,903 loans

CAJON, located in Regina, leases vehicles and other assets to Saskatchewan Crown Corporations and government-related entities.

R & R Leasing (July 2002)
$3,762,268 loans

R&R is based in Saskatoon and leases buildings, equipment and vehicles to Saskatchewan Crown Corporations, other government-related entities and private enterprises.

Background

Saskatchewan Government Growth Fund VII Ltd. ("SGGF VII" or the "Fund") is an immigrant investor fund which operates in accordance with the regulations of the federal Immigrant Investor Program (the "IIP"). The Fund began commercial operations in 1999 when it accepted its first subscription deposits. The Fund is financed by subscriptions received from immigrant investors. The objective of the Fund is to invest at least 70% of the proceeds of subscriptions in eligible businesses in Saskatchewan for a five year period as required by the IIP. This allows the immigrant investor to satisfy the investment requirements of the IIP for a Canadian-resident visa.

Obligations to investors

SGGF VII's activities are financed by immigrant investors who have subscribed for unsecured, subordinated promissory notes ("Notes") offered through an Offering Memorandum. The interest rate for a Note is determined at the time the full subscription is received, and remains constant over the term of the Note. Obligations under the Notes are subordinate to all other liabilities of the Fund and repayment is dependent on the proceeds on liquidation of investments and all other available liquidity in excess of other liabilities.

The Notes mature five years from the date of issue. The IIP requires that the maturity date of a Note be extended if, and for so long as, less than 70% of the amount of the Note is invested in the active business operations of eligible businesses in Saskatchewan.

The Fund was closed to new subscription applications on March 31, 1999. In 2003, the Fund required subscribers to fully pay any outstanding subscription amounts, and subscribers who did not do so forfeited their right to participate in the Fund.

At December 31, 2005, obligations to investors totalled $22.0 million, comprised of 88 Notes (2004 - $22.0 million; 88 Notes). Based on information available to the Fund, it is estimated that holders of three Notes have not yet received their visas and therefore retain their right of rescission. Obligations to investors mature over the period from 2006 to January 2009.

The Fund has prepared cash flow projections which indicate that timing differences may exist between planned liquidations of investments and scheduled investor repayments as Notes become due. In order to treat all investors equally, the payments on Notes at maturity have been set at $185,000. The payment of any amount in addition to the initial payment at maturity is dependent on the liquidation of investments, many of which are in private companies as required by the IIP. These investments typically have more risk than other types of investments. Any forecast of when such investments will be liquidated reflects a best judgment based on current information, and involves a number of risks and uncertainties and other factors that may cause actual results to differ materially from the forecast. If the assumptions underlying current forecasts prove to be correct, payment of amounts in addition to the initial payment at maturity may be possible in 2008; however, based on current forecasts, it is unlikely that the Fund will be able to repay the full principal amount of the Note obligations to investors. The Fund continues to actively manage its remaining investments with a view to achieving for investors the best liquidation proceeds available in the prevailing circumstances.

Total interest expense on obligations to investors and subscription deposits in 2005 was $424,000 (2004 - $423,000).

Investments

The investment policy of the Fund reflects the requirements imposed by both the IIP and the Offering Memorandum. To meet these requirements, the Fund has established a target initial investment allocation consisting of:

- a maximum of 30% invested in small and medium-sized enterprises ("SMEs") in Saskatchewan;
- 50% invested in loans to support infrastructure projects of the Province of Saskatchewan, and its agencies, municipalities and similar institutions; and,
- the balance invested in cash or liquid debt securities.

As investments are divested over time, the actual portfolio mix changes. Investments in SMEs and loans to support infrastructure qualify as "eligible businesses" for purposes of the IIP.

The following table sets out the investments of the Fund by type at December 31 in each year:

	2005			2004		
	No.	$ millions	%	No.	$ millions	%
Other investments						
Small and medium-sized enterprises						
Debt investments	7	2.3	11.9	7	2.0	10.4
Equity investments	3	0.6	3.1	3	0.6	3.0
Total	7	2.9	15.0	7	2.6	13.4
Infrastructure loans	6	7.3	37.6	7	9.2	47.0
		10.2	52.6		11.8	60.4
Cash and publicly-traded and short-term investments		9.2	47.4		7.7	39.6
		19.4	100.0		19.5	100.0
Adjustment to fair value		(0.4)			0.1	
Carrying value		19.0			19.6	

Note: 1. The total number of SME investments represents the total number of companies. In some cases, an investment in both debt and equity instruments of the same company may have been made.

Since its inception in 1999, the Fund has invested $6.8 million in 11 SME investments and $13.4 million in five loans to support infrastructure.

Investment and other income in 2005 totalled $1.0 million, virtually unchanged from 2004. Losses realized on investments in the year and recognition of a reduction in the fair value of investments held at December 31, 2005 totalled $779,000 (2004 - $92,000). Net revenue in 2005 was $242,000, compared with $966,000 in 2004. The reduction in fair value primarily reflects the effect of the increase in interest rates in the general economy on the valuation of fixed interest investments in the portfolio; while this affects the periodic valuation of the portfolio, it does not affect the ultimate realization because it is generally intended to hold investments until maturity.

Management

The Fund is managed by the Saskatchewan Government Growth Fund Management Corporation ("SGGF MC") under a contract which provides for a management fee not to exceed 3.0% of the net assets of the Fund. SGGF MC has contracted administration and investment advisory services from Crown Capital Partners Inc. ("CCPI"), a private, national investment advisor based in Regina, Saskatchewan. CCPI is paid a monthly fee for its services and will receive a performance fee based on the retained earnings, if any, of the Fund after all investor obligations are repaid in full and all investments have been liquidated.

Administration expense for the Fund totalled $433,000 in 2005, compared with $440,000 in 2004. Administration expense, represented 2.2% (2004 – 2.2%) of weighted average total assets.

Results of operations

During 2005, the Fund incurred a loss of $966,000, compared with a loss of $247,000 in 2004. The loss was caused by a loss realized on a SME investment plus the recognition of a reduction in the fair value of other investments held at December 31, 2005, and by returns on publicly-traded and short-term investments and infrastructure loans which are less than the costs of administration and financing. Investment income on weighted average total assets, before losses realized on the disposal of investments and the recognition of fair value, was 5.1% (2004 – 5.2%). Losses realized on disposal and unrealized gains and losses, net, were (3.9)% (2004 – (0.5)%). Interest expense was 2.1% (2004 – 2.1%). All other expenses were 3.9% (2004 – 3.9%).

At December 31, 2005, the Fund had an accumulated deficit of $2.6 million compared with a deficit of $1.7 million at December 31, 2004.

Outlook and risks and uncertainties

The Fund has completed its fundraising and investing phase. The priority of the Fund is the management of its investment portfolio to maximize returns and to provide for liquidation of investments to satisfy obligations to investors at maturity of their Notes. Additional investments in SMEs and loans to support infrastructure will be made only to replace investments in eligible businesses which are required to satisfy the five-year investment requirements of the IIP, to support the operations and maximize the value of existing SME investments, or to enhance the returns of the Fund.

The investment allocation of the Fund which is prescribed by the IIP and Offering Memorandum significantly influences the returns available to the Fund. Investments in SMEs, which can represent up to 30% of the Fund's investments, provide an opportunity for higher returns, but also carry a higher risk of losses than other investment types, and a greater challenge to achieving liquidity at the time that Notes mature. On the other hand, the balance of investments which consist of liquid securities and loans to finance infrastructure are relatively low risk, but also provide low returns that reflect the lower risk exposure. Since the Fund was launched in 1999, interest rates in the general economy have decreased significantly, which has created a challenge to the Fund to earn sufficient returns to pay interest on Notes and administration costs.

The significant risks and uncertainties which affect the Fund relate to market risk, credit risk, interest rate risk, and liquidity risk. These risk factors are described in note 12 to the financial statements. The Fund manages these risks to the extent possible; however, the factors may affect the ability of the Fund to repay its Notes at maturity. The Fund has no sources of funds to finance the repayment of its Notes other than the proceeds received on liquidation of its investments.

Dated as of February 22, 2006.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

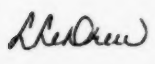
The President and fund manager of the Saskatchewan Government Growth Fund VII Ltd. are responsible for management of the Fund. The accompanying consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, and necessarily include amounts which are based on informed judgement and management estimates. Financial data presented elsewhere in this annual report is consistent with that in the financial statements.

Management's responsibility includes ensuring the integrity and objectivity of financial information. Management maintains an appropriate system of internal accounting and administrative controls, policies and procedures to provide reasonable assurance that all transactions are authorized, financial records are complete and accurate, and assets are safeguarded against loss.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting. The Board has established an Audit Committee to review the Fund's accounting policies and financial statements prior to their presentation to the Board for approval. The Audit Committee also reviews the internal controls of the Fund, and meets regularly with the auditors. The Board has reviewed and approved these financial statements.

Deloitte & Touche LLP, the Fund's independent auditors, have examined the financial statements of the Fund. Their responsibility is to conduct an independent and objective audit and to report on the fairness of presentation of the Fund's financial position, results of operations and cash flows as shown in the financial statements. The Auditors' Report outlines the scope of their examination and their opinion.

Alan M. Rowe, C.A.
President



Lori K. Le Drew, C.M.A.
Controller, Crown Capital Partners Inc.

February 22, 2006

AUDITORS' REPORT

To the Shareholder of Saskatchewan Government Growth Fund VII Ltd.:

We have audited the consolidated statement of financial position of Saskatchewan Government Growth Fund VII Ltd. as at December 31, 2005, and the consolidated statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Regina, Saskatchewan
February 10, 2006

Saskatchewan Government Growth Fund VII Ltd.
Consolidated Statement of Financial Position

December 31	2005	2004
Assets		
Cash	**$ 922,352**	$ 1,896,650
Accounts receivable and accrued income	**111,565**	115,054
Publicly-traded and short-term investments (Note 5)	**8,297,860**	5,898,501
Other investments (Note 6)	**9,782,569**	11,852,920
Deferred costs (Note 7)	**258,570**	613,376
	$ 19,372,916	$ 20,376,501
Liabilities and Shareholder's Deficiency		
Accounts payable and accrued liabilities	**$ 10,766**	$ 13,438
Commissions payable (Note 8)	**-**	3,750
Subscription deposits (Note 9)	**-**	31,483
Obligations to investors (Note 10)	**22,000,000**	22,000,000
	22,010,766	22,048,671
Share capital (Note 11)	**1,000**	1,000
Deficit	**(2,638,850)**	(1,673,170)
	(2,637,850)	(1,672,170)
	$ 19,372,916	$ 20,376,501

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

Roland Hardy
Director

Lloyd Boutilier
Director

Saskatchewan Government Growth Fund VII Ltd.
Consolidated Statement of Operations and Deficit

Year ended December 31	2005	2004
Revenues		
Income from cash and publicly-traded and short-term investments	**$ 296,120**	$ 209,790
Income from other investments	**659,153**	839,114
Other income	**65,969**	9,283
	1,021,242	1,058,187
Gains realized on disposal of other investments	**-**	34,858
Losses realized on disposal of other investments	**(219,434)**	(650,245)
(Decrease) increase in fair value of investments	**(559,618)**	523,645
	(779,052)	(91,742)
Net revenue	**242,190**	966,445
Expenses		
Administration (Note 13)	**433,065**	439,945
Interest on obligations to investors	**423,750**	423,156
Amortization of deferred costs	**351,055**	350,423
	1,207,870	1,213,524
Loss for the year	**(965,680)**	(247,079)
Deficit, beginning of year	**(1,673,170)**	(1,426,091)
Deficit, end of year	**$(2,638,850)**	$(1,673,170)

See accompanying notes to the consolidated financial statements.

Saskatchewan Government Growth Fund VII Ltd.
Consolidated Statement of Cash Flows

Year ended December 31	2005	2004
Cash flows from operating activities		
Loss for the year	**$ (965,680)**	$ (247,079)
Items not affecting cash:		
Decrease (increase) in fair value of investments	**559,618**	(523,645)
Amortization of premium and discount on bonds	**24,633**	19,886
Net losses realized on the disposal of other investments	**219,434**	615,387
Amortization of deferred costs	**351,055**	350,423
Net change in non-cash balances related to operations (Note 14)	**818**	(12,564)
Cash flows from operating activities	**189,878**	202,408
Cash flows from investing activities		
Purchase of publicly-traded and short-term investments	**(3,500,000)**	(2,914,500)
Sale of publicly-traded and short-term investments	**987,000**	50,000
Disbursements on other investments	**(1,006,723)**	(637,398)
Repayments of other investments	**2,387,030**	3,630,922
Cash flows from investing activities	**(1,132,693)**	129,024
Cash flows from financing activities		
(Repayment of) proceeds from note subscriptions	**(31,483)**	393,500
Cash flows from financing activities	**(31,483)**	393,500
Net (decrease) increase in cash	**(974,298)**	724,932
Cash, beginning of year	**1,896,650**	1,171,718
Cash, end of year	**$ 922,352**	$1,896,650
Interest paid during the year	**$ 423,750**	$ 423,156

See accompanying notes to the consolidated financial statements.

Saskatchewan Government Growth Fund VII Ltd.
Notes to Consolidated Financial Statements
December 31, 2005

1. Status of the Corporation

Saskatchewan Government Growth Fund VII Ltd. ("SGGF VII" or the "Fund") was incorporated in February 1999 under *The Business Corporations Act* (Saskatchewan) and has been accepted as a government administered venture capital fund under the federal government's Immigrant Investor Program ("IIP"). Under this program, the Fund was established to raise $35,000,000 through a note offering. Each note is a variable rate (1.50% to 3.50%), unsecured, subordinated debt instrument with a principal amount of $250,000, repayable in five years provided that 70% of the proceeds are invested in eligible businesses ("Notes") throughout the five year period. The marketing period for the Fund ended on March 31, 1999, and 2004 was the last year in which the Fund accepted the completion of subscription payments.

The Confidential Offering Memorandum ("Memorandum") and the IIP prescribe various conditions which qualify an investment as an eligible business, including a requirement that the business be Saskatchewan based and have assets, including assets of associated companies, of less than $35 million.

The Government of Canada and the Government of the Province of Saskatchewan offer no guarantees or assurances on the financial performance of the Fund or of a return of an investor's original investment and neither government will be liable for any loss or damages suffered by an investor as a result of an investment in the Notes.

The consolidated financial statements include the accounts of the Fund and those of 101027596 Saskatchewan Ltd. on a proportionate basis. The only asset in 101027596 Saskatchewan Ltd. is an equity investment for which the proportionate share of SGGF VII is included in other investments.

2. Significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered significant:

Measurement uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and adjustments are reported in the Consolidated Statement of Operations and Deficit in the period in which they become known. The primary measurement uncertainty which may affect the reported amounts relates to the determination of fair values of other investments as described on the following page.

Saskatchewan Government Growth Fund VII Ltd.
Notes to Consolidated Financial Statements (continued)
December 31, 2005

Publicly-traded and short-term investments

Publicly-traded and short-term investments are carried at fair value. Income from publicly-traded and short-term investments is recognized as earned. The change in fair value of publicly-traded and short-term investments during the year is included in the Consolidated Statement of Operations and Deficit. Fair values for publicly-traded investments are determined by reference to quoted market values. Fair values for short-term investments are assumed to be equal to cost.

Prior to January 1, 2004, publicly-traded debt investments were carried at amortized cost and publicly-traded equity investments were carried at the lower of cost and, in the case of investments where a loss in value that was other than temporary had occurred, net realizable value.

Other investments

Other investments include debt and equity investments in private companies. Other investments are carried at fair value. Income from debt investments ("loans") is recognized as earned except if the investment is impaired. A loan is considered to be impaired if, as a result of deterioration in credit quality, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. Any loan on which contractual payments are in arrears for 90 days or more is usually assumed to be impaired. Other factors that are considered in determining whether a loan is impaired are the overall credit quality of the borrower and the fair value of the underlying security. When a loan becomes impaired, recognition of interest income ceases. Income from equity investments is recognized when received. The change in fair value of other investments during the year is included in the Consolidated Statement of Operations and Deficit.

Fair values for other debt investments are determined by calculating the present value of the remaining payments under the loans. The discount rate used is based on the expected return at the date of the financial statements for a loan to an investee with similar risk characteristics. The discount rate is comprised of a base risk-free rate based on a Government of Canada bond with equivalent duration, a credit risk premium based on publicly-traded debt with a BBB credit rating, and an additional credit risk and liquidity premium based on the circumstances of the specific investee.

Fair values for other equity investments are determined by management on the basis of the expected realizable value of the investments as at the date of the financial statements if they were disposed of in an orderly manner over a reasonable period of time, discounted at a discount rate which is appropriate at the date of the financial statements to investments in similar companies. There is no active secondary market for many investments which are not publicly-traded, and there is considerable uncertainty and a potentially broad range of outcomes with respect to the future cash flows from these investments. Valuations of such investments are subject to a number of assumptions and uncertainties that may cause actual values realized on disposal to differ materially from the fair value estimated at any particular time.

Saskatchewan Government Growth Fund VII Ltd.
Notes to Consolidated Financial Statements (continued)
December 31, 2005

Generally accepted accounting principles limit the situations where investee companies over which an entity has significant influence are not consolidated. The Fund intends to dispose of its investments in due course; therefore, other investments are not consolidated.

Prior to January 1, 2004, other debt investments were carried at cost net of provisions for investment losses, and other equity investments were carried at the lower of cost and, where a loss in value that is other than temporary has occurred, net realizable value. A provision for investment losses was established for impaired loans to reduce their value to the estimated fair value of the security underlying the loan. If the credit quality of the loan subsequently improved, a provision was reduced or reversed.

Other equity investments that were evaluated as possibly being subject to a loss in value were assessed periodically based on appropriate criteria, including past operating results of the investee, financial outlook of the investee, recent capital transactions, and their associated value, between the investee and arm's length parties, and liquidity or going concern problems of the investee. When a decline in the value of an equity investment was no longer considered to be temporary, the investment was written down through a provision and was carried at the written down value until disposal of the equity investment.

Deferred costs

Deferred costs include commissions, consulting, legal, administrative, accounting, general and printing costs associated with the Fund's offering of Notes. Deferred costs are amortized over five years from the date of Note issuance.

3. Change in accounting policy in prior year

Effective January 1, 2004, the Fund prospectively adopted "Accounting Guideline 18 – Investment Companies" (AcG-18) of the Canadian Institute of Chartered Accountants. This guideline requires that for qualifying entities, investments held are to be measured and reported at their fair value as described in note 2. Prior to January 1, 2004, investments were carried at cost subject to certain adjustments as described in note 2. The change was implemented on a prospective basis, and the change in fair value recorded on the Consolidated Statement of Operations and Deficit for the year ended December 31, 2004 represents the difference between the fair value of investments held at December 31, 2004 and either the carrying value, after provisions of the investment at December 31, 2003 or, in the case of investments acquired in 2004, the cost of the investment.

Losses realized on disposal of investments, net of the recognition of fair value of investments, in 2004 is also net of $142,194 representing the excess as at January 1, 2004 of the fair value of investments over the carrying value on the previous basis of accounting.

Saskatchewan Government Growth Fund VII Ltd.
Notes to Consolidated Financial Statements (continued)
December 31, 2005

4. Provisions of the IIP

70% investment requirement

The terms of the IIP require that at least 70% of each subscription amount be invested in eligible businesses no later than nine months from receipt of the full subscription amount. As at December 31, 2004, all full subscription amounts have been invested in eligible businesses in accordance with the terms of the IIP.

Minimum holding period and maturity of the Notes

A Note is issued to evidence receipt of the full subscription amount on the date that at least 70% of the subscription amount has been invested in eligible businesses. Each Note is scheduled to mature five years from such date, provided the Fund maintains at least 70% of the Note continuously invested in the active business operations of eligible businesses for five years following the issuance date. The IIP contains provisions which require that the maturity date of a Note be extended if, and for such period that, a minimum of 70% of the Note amount ceases to be invested in the active business operations of eligible businesses.

If the subscription amount has not been at least 70% invested in eligible businesses within nine months of receipt, then, for the period from nine months after receipt until a minimum of 70% of the subscription amount has been initially invested in eligible businesses, the investor receives an additional payment as compensation for the extension of the maturity date of their note.

5. Publicly-traded and short-term investments

Publicly-traded and short-term investments consist of Government of Canada Bonds ("Bonds") and Term Deposits.

Security	Rate %	Maturity Date	Par $	**2005 Carrying Value $**	2004 Carrying Value $
Term Deposit	3.46	8/2/06	2,000,000	**2,000,000**	-
Term Deposit	3.67	13/3/06	1,500,000	**1,500,000**	-
Bond	5.75	1/9/06	1,888,888	**1,898,318**	1,910,892
Bond	3.25	1/12/06	2,900,000	**2,906,960**	2,913,920
Bond	6.00	1/9/05	987,000	**-**	992,099
				8,305,278	5,816,911
Adjustment to fair value				**(7,418)**	81,590
Carrying value				**8,297,860**	5,898,501

Saskatchewan Government Growth Fund VII Ltd.
Notes to Consolidated Financial Statements (continued)
December 31, 2005

6. Other investments

	2005	2004
Debt instruments	**$ 9,591,919**	$11,191,660
Equity instruments	**577,173**	577,173
	10,169,092	11,768,833
Adjustment to fair value	**(386,523)**	84,087
Carrying value	**$ 9,782,569**	$11,852,920

Included in investments in 2004 was $302,139 of impaired investments upon which income was not accrued. During the year $219,434 (2004 - $650,245) of investments and costs have been written off.

During the year, investments decreased as follows:

	2005	2004
Balance, beginning of year	**$ 11,852,920**	$15,019,776
New investments	**1,006,723**	637,398
Book value of divestments	**(2,387,030)**	(3,596,064)
Investments and costs written off	**(219,434)**	(650,245)
Net change in fair value	**(470,610)**	442,055
Balance, end of year	**$ 9,782,569**	$11,852,920

Debt instruments have interest rates ranging from 0% to 12.5% and maturity dates ranging from demand to April 2009.

7. Deferred costs

Deferred costs have been recorded net of accumulated amortization of $1,476,291 (2004 - $1,125,236).

8. Commissions payable

According to the terms of marketing agreements entered into by the Fund, a commission is payable to the independent marketing agents selling the Notes upon receipt by the Fund of the subscription deposit and all required documentation. The commission is subject to a holdback pending issuance of the investor's immigrant visa. Commissions paid or payable on subscriptions received have been deferred and amortized.

Saskatchewan Government Growth Fund VII Ltd.
Notes to Consolidated Financial Statements (continued)
December 31, 2005

9. Subscription deposits

Subscription deposits represent partial deposits on Notes received prior to 2004 which have not yet been refunded to investors. The Fund was closed to deposits in 2004 and investors who have made partial subscriptions have no right to complete their subscription.

10. Obligations to investors

Obligations to investors represent the Notes issued to investors of the Fund. The Notes help to satisfy a portion of investors' visa requirements under the IIP. Interest to the maturity date of Notes is accrued at an annual rate between a minimum of 1.50% and a maximum of 3.50% from the date of Note issuance until maturity. The rate is determined at the time of subscription deposit and is calculated as 3.60% less than the then current yield on a benchmark Government of Canada bond. Interest is paid annually on December 31 and at maturity. The obligation at December 31 is comprised of unsecured promissory Notes with interest rates as follows:

	2005		2004	
	Number	$	Number	$
1.50%	40	10,000,000	40	10,000,000
1.70%	1	250,000	1	250,000
1.75%	3	750,000	3	750,000
2.00%	5	1,250,000	5	1,250,000
1.85%	1	250,000	1	250,000
2.20%	4	1,000,000	4	1,000,000
2.05%	8	2,000,000	8	2,000,000
2.30%	1	250,000	1	250,000
2.40%	7	1,750,000	7	1,750,000
2.45%	2	500,000	2	500,000
2.50%	5	1,250,000	5	1,250,000
2.60%	9	2,250,000	9	2,250,000
2.80%	2	500,000	2	500,000
	88	22,000,000	88	22,000,000

The following is the schedule of Note maturities as at December 31, 2005:

2006	$ 6,750,000
2007	9,000,000
2008	5,750,000
2009	500,000
	$ 22,000,000

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Obligations under the Notes are subordinate to all other liabilities of the Fund and repayment is dependent on the proceeds on liquidation of investments and other available liquidity in excess of other liabilities. The Notes are irrevocable, except in the case that a visa is denied. To the knowledge of the Fund, visas have not yet been approved with respect to a maximum of three investors to whom Notes have been issued.

As a result of differences in the timing of proceeds from investments and scheduled maturities of Notes, beginning with the first Notes to mature in 2006, the Fund has set payments on each Note at its maturity at $185,000. As a result of investment losses, it is unlikely that the Fund will be able to repay the full principal amount of Note obligations to investors. If the assumptions underlying current forecasts prove to be correct, payment of some additional amounts may be possible in 2008.

Interest due on the remaining principal amount of each Note on which the principal has been partially repaid is accrued. It is unlikely that the Fund will have sufficient cash resources to pay any further interest amounts on the Notes.

11. Share capital

The authorized common share capital of the Fund at December 31 consists of an unlimited number of voting common shares. Holders of the common shares are entitled to receive dividends.

The issued common share capital at December 31 is:

	2005	2004
1,000 common shares	**$1,000**	$1,000

12. Risk management

The Fund's primary business is the raising of capital from immigrant investors and placing these funds in new and expanding Saskatchewan businesses. This investment activity entails exposure to market risk, credit risk, interest rate risk, and liquidity risk. These risk factors may impact upon the Fund's ability to repay its Notes at maturity.

Market risk

Market risk is the risk that the fair value of an investment may be affected by the ability of an investee company to profitably distribute its products. Some of the companies in which the Fund invests are dependent upon a single product or industry. The Fund manages this risk through careful due diligence prior to committing funds to the investment and by diversifying its investments across various industry sectors.

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Credit risk

Credit risk is the risk that an investee will fail to perform its obligations. Concentration of credit exposure may arise given that the Fund restricts its investments to businesses operating in Saskatchewan and therefore all investments are subject to a similar general economic environment. In addition, changes in commodity prices and foreign currency exchange rates may significantly affect the financial position of some investees. The Fund conducts thorough due diligence prior to committing to an investment and actively monitors the financial health of its investees on an on-going basis.

Interest rate risk

Interest rate risk is the risk that the Fund's earnings will be affected by fluctuations in interest rates. The Fund manages this risk through carefully monitoring and matching the duration of its investments with the duration of its obligations to investors.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in liquidating its investments at the time it is required to repay its Notes. Due to the nature of some of the Fund's investments, the timing of cash flows from its investments may not exactly match the payments owing under the Fund's Notes. The Fund carefully monitors the duration of its investments. However, timing differences may require the Fund to reduce or delay the payments owing on Notes at maturity.

Fair value – obligations to investors

No secondary market for the Notes exists. Due to the unique features associated with the Notes, the calculation of a fair value with appropriate reliability is impractical. The risk factors that affect the fair value of investments, as described above, also affect the fair value of obligations to investors. Repayment of these obligations at maturity is dependent upon the value and liquidity of investments at that time.

13. Administration

Under the terms of a management agreement, expiring in 2009, between the Fund and Saskatchewan Government Growth Fund Management Corporation ("SGGF Management Corporation"), SGGF Management Corporation administers the assets of the Fund with the assistance of a manager that performs fund administration and investment management. SGGF Management Corporation does not guarantee the financial performance of the Fund. All services provided to the Fund are charged on a fee for service basis. The costs billed to the Fund by SGGF Management Corporation are as follows:

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	2005	2004
Manager's fees	$ 385,144	$ 384,659
General administration	23,109	30,823
Directors' fees and expenses	6,535	7,491
Legal and professional	18,277	16,972
	$ 433,065	$ 439,945

14. Net change in non-cash balances related to operations

	2005	2004
Accounts receivable and accrued income	$ 3,489	$ 6,021
Deferred costs	3,751	(3,750)
Accounts payable and accrued liabilities	(2,672)	1,415
Commissions payable	(3,750)	(16,250)
	$ 818	$ (12,564)

15. Income taxes

A provincial Crown corporation, SGGF Management Corporation, owns all of the issued shares of the Fund. Therefore, the Fund is exempt from income taxes.

16. Related party transactions

Included in these consolidated financial statements are amounts resulting from transactions with SGGF Management Corporation pursuant to a management agreement referred to in Note 13. Account balances resulting from these transactions are included in the Consolidated Statement of Financial Position and are settled on normal trade terms. Total fees charged to SGGF VII by SGGF Management Corporation amounted to $433,065 (2004 - $439,945). Total fees payable to SGGF Management Corporation at December 31, 2005, and included in the above, are $10,766 (2004 - $13,438).

FIVE YEAR FINANCIAL SUMMARY

Financial Position (thousands of dollars)

December 31	2005	2004	2003	2002	2001
Assets					
Cash	$ 922	1,897	1,172	3,140	2,414
Publicly-traded and short-term investments	8,298	5,898	2,972	6,361	13,138
Other investments	9,783	11,853	15,020	10,272	4,818
Other assets	370	728	1,081	1,437	1,947
Total assets	$ 19,373	20,376	20,245	21,210	22,317
Liabilities and Deficit					
Obligations to investors	$ 22,000	22,031	21,638	21,835	22,380
Other liabilities	11	17	32	72	205
(Deficit) equity	(2,638)	(1,672)	(1,425)	(697)	(268)
Total liabilities and deficit	$ 19,373	20,376	20,245	21,210	22,317

Operating Results (thousands of dollars)

Years ended December 31	2005	2004	2003	2002	2001
Revenues					
Investment income	$ 659	839	773	494	81
Lease revenue	-	-	-	-	194
Interest from cash and publicly-traded and short-term investments	296	210	307	403	735
Other income	66	9	46	8	24
	1,021	1,058	1,126	905	1,034
(Losses) gains realized on disposal of investments	(219)	(615)	74	-	-
Adjustment to fair value	(560)	523			
Provision for losses on investments			(681)	(61)	-
Net revenue	242	966	519	844	1,034
Expenses					
Administration	433	440	428	422	278
Financing	775	773	819	851	1,355
Total expenses	1,208	1,213	1,247	1,273	1,633
Net loss	$ (966)	(247)	(723)	(429)	(599)

Note: Effective January 1, 2004, the Fund changed its accounting policy on a prospective basis to measure and report investments at their fair value.

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Fund Manager
Saskatchewan Government Growth Fund Management Corporation, which has retained Crown Capital Partners Inc. to provide management services

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Christopher J. Anderson, C.F.A., Partner
Brent Hughes, C.F.A., Partner
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